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# Minerals Management Service



## A Brief Overview of Upstream Oil and Gas Regulations

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**MMS**

# **MMS: Mission**

*To manage the mineral resources on the Outer Continental Shelf (OCS) in an environmentally sound and safe manner and to collect, verify, and distribute mineral revenues from Federal and Native American lands in a timely manner*

# President's Executive Order on Regulations (September 1993)

*American People Deserve a Regulatory System that:*

- *Works for Them/Not Against Them*
- *Protects Health/Environment, Promotes Safety*
- *Does not Impose Unreasonable/Unacceptable Costs on Society*
- *Recognizes Private Sector/Markets as Best Engines for Economic Growth*

# MMS Characteristics

- ☞ Independent Regulatory Body under Department of Interior with Career Professional Staff. This Setup ensures:
  - ✎ Arms Length Relationship with all Operating Companies,
  - ✎ Level Playing Field that Promotes Equitable, Competitive Investment in E&P,
  - ✎ Mission Achievement without Political Intervention,
  - ✎ Dispute Resolution through Established Rules and Legal Processes,
  - ✎ Expeditious Review of Proposed Actions

# **MMS: Functions**

- ☞ Conveys Exploration & Development Rights
- ☞ Assesses Environmental Information
- ☞ Evaluates Mineral Resources
- ☞ Manages and Inspects Offshore Oil & Gas Operations
- ☞ Manages Revenue Collection from Federal & Native American lands

# Regulatory Parallels

☞ MMS functions similar in many respects to those of other International Regulatory Agencies such as:

✎ India's Director General of Hydrocarbons

✎ Norwegian Petroleum Directorate

✎ U.K.'s Health and Safety Executive

✎ Other International Oil and Gas Regulatory Bodies in Australia, Canada etc.

# **MMS: Scope**

- ☞ Collects more than \$6.5 billion per year in royalties, rents, and bonuses from onshore and offshore mineral leases
- ☞ U.S. OCS supplies more than 25% of natural gas and about 27% of the oil produced.
- ☞ Relatively small Bureau within the Department of Interior.



# On the U.S. OCS today . . .

- ➡ There are over 8500 active offshore leases; nearly 4000 operating platforms; the deepest of these in more than 1000 meters of water.
- ➡ Yearly production from these facilities is about 500 million barrels of oil and 140 billion cubic meters of gas.

# Jurisdiction over the Continental Shelf is divided between the Coastal States and the Federal Government.

- ➡ The States manage mineral resources within 4.8 km of their coasts.
- ➡ The MMS manages the mineral resources on the rest of the OCS.

# Laws Governing MMS Regulations

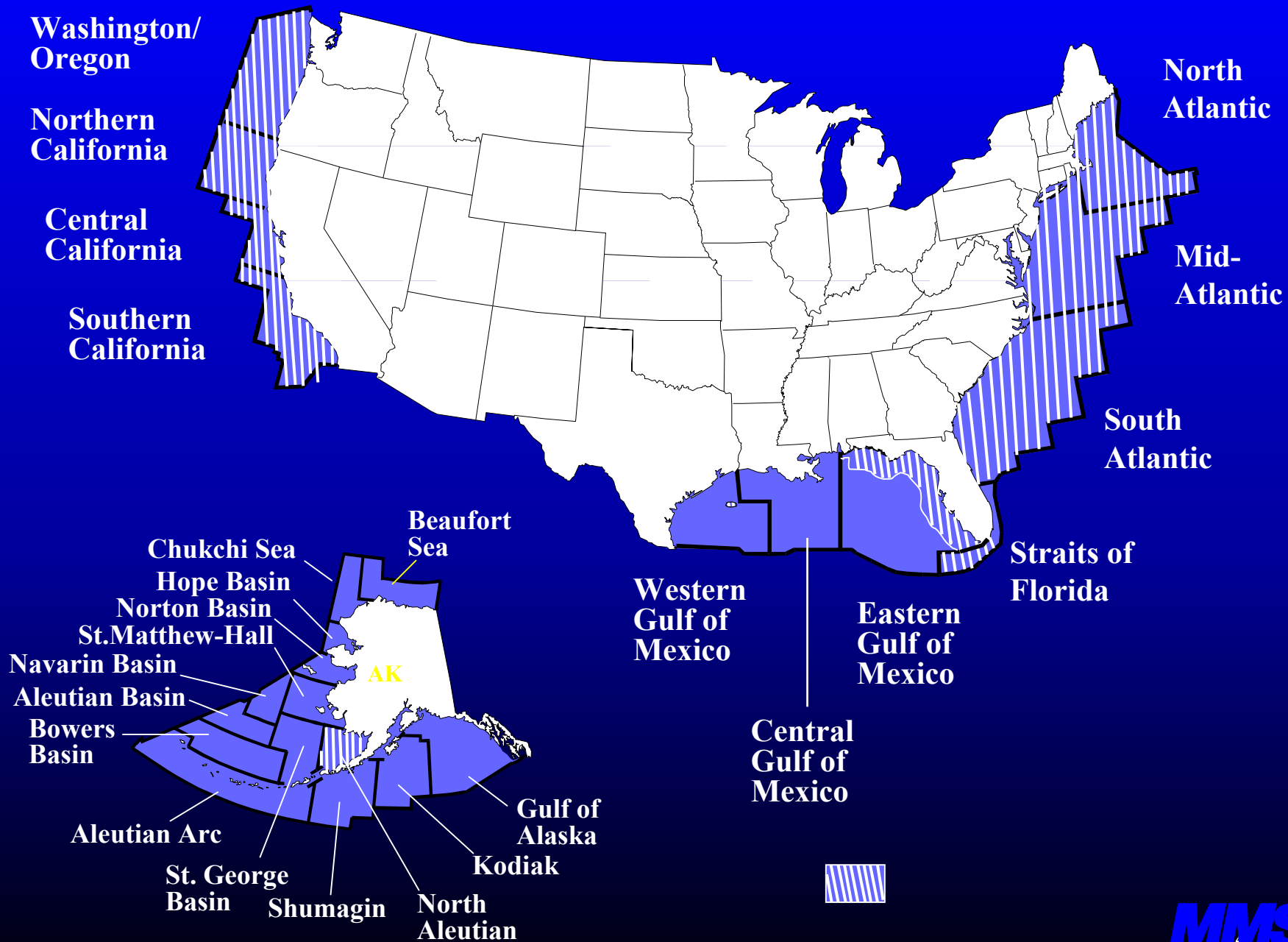
- ☞ The Outer Continental Shelf Lands Act
- ☞ The Oil Pollution Act of 1990
- ☞ The Federal Oil and Gas Royalty Management Act

# Other Laws Effecting the OCS Oil and Gas Program

- ➡ National Environmental Policy Act
- ➡ Coastal Zone Management Act
- ➡ Marine Mammal Protection Act
- ➡ Endangered Species Act
- ➡ Clean Water Act
- ➡ Clean Air Act
- ➡ Royalty Fairness Act

# Oil and Gas Regulations Cover Three Phases

- ☞ Exploration before company obtains a lease.
- ☞ The lease sale process.
- ☞ Activity after a lessee obtains a lease.



# Length of Lease Term

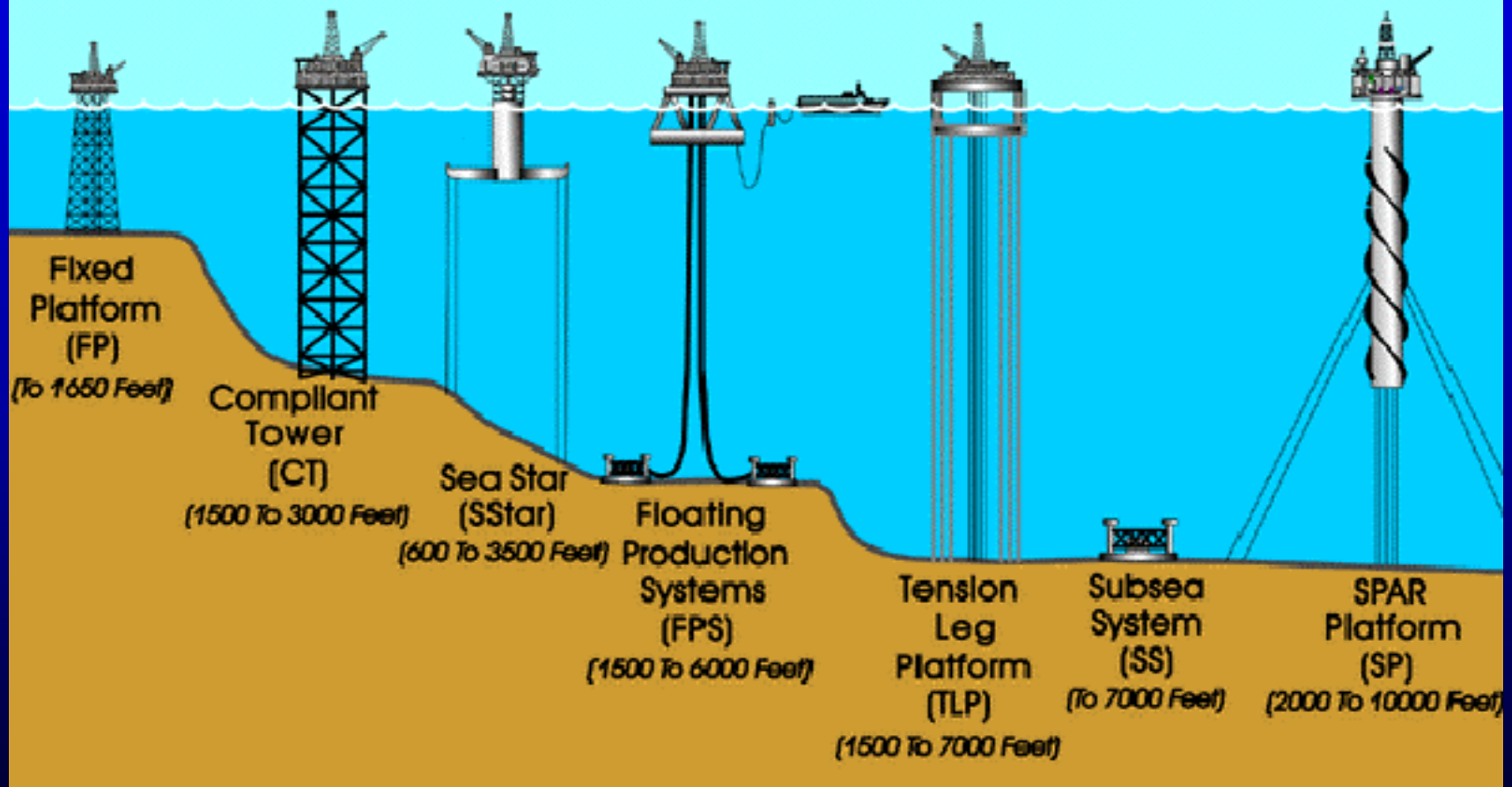
- ☞ The lease is for 5, 8, or 10 years.
- ☞ The lease continues after the original term if the lease is producing oil or gas.
- ☞ In some cases, MMS will give the lessee more time for a specific reason, for example, to build a platform.

# Activities After a Company (Lessee) Obtains a Lease

- ➡ Preliminary activities.
- ➡ Exploration.
- ➡ Development.
- ➡ Production.
- ➡ End of lease requirements.



# *Deepwater Systems*



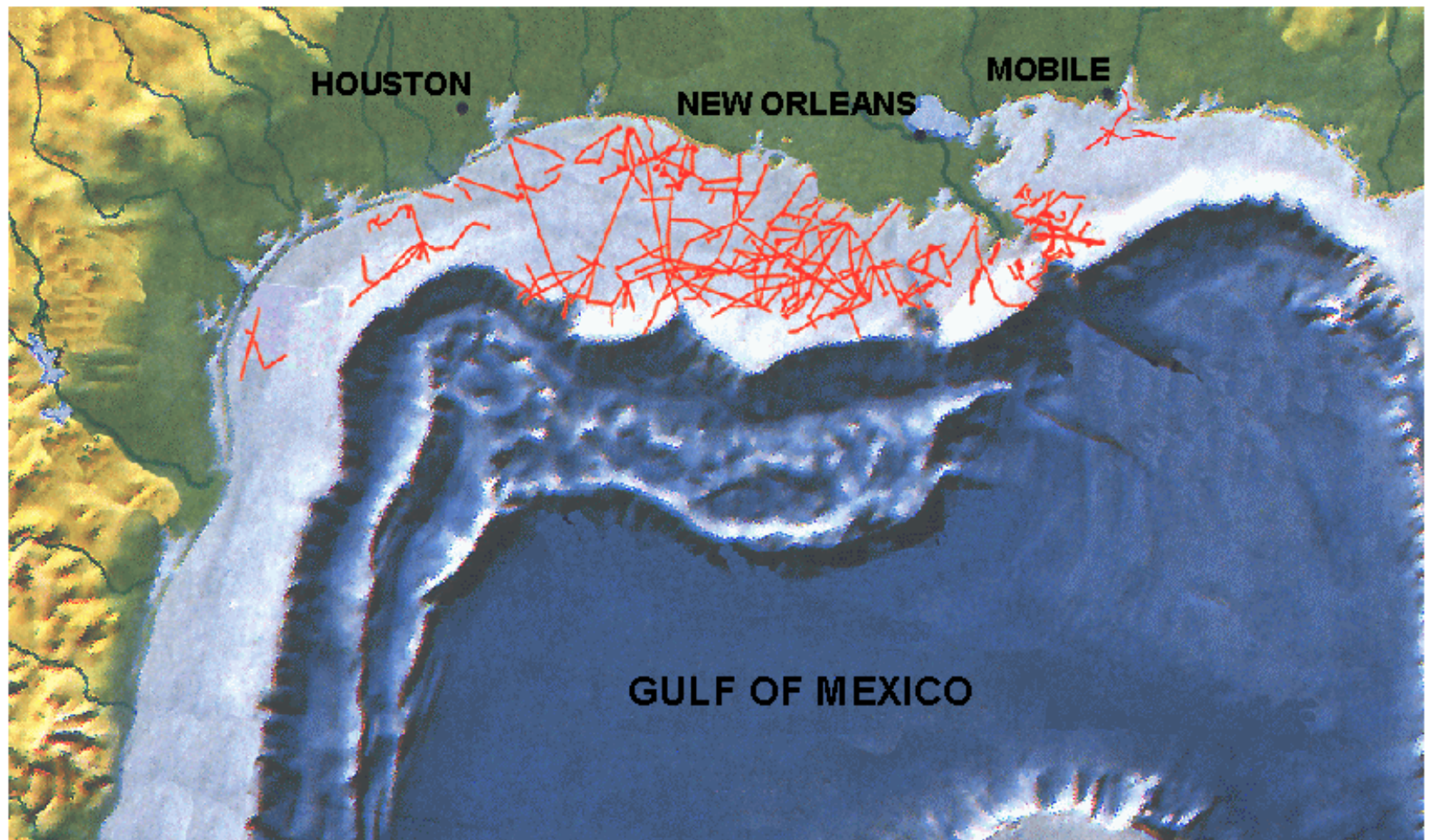
# Training Requirements

- ➡ MMS has training requirements for drilling and for production operations.
- ➡ MMS has recently made these requirements performance based.

# OCS Pipelines

- ➡ MMS shares responsibility for pipelines with the US Department of Transportation (DOT).
- ➡ DOT and MMS signed an agreement to relieve some of the problems caused by having two responsible agencies.
- ➡ Under the new agreement, MMS regulates most of the pipelines that belong to lessees.

## Pipeline Infrastructure - Gulf of Mexico OCS










# **MMS Regulatory Policy**

- **Best Available and Safest Technologies**
- **Emphasis on Automatic and Fail-safe Features on Systems/Redundancies**
- **Emphasis on Human Factors**
- **Pro-Active Approach**
- **Emphasis on Safety and Environmental Protection**



# MMS Safety Program

## Key Components

-  Safety & Environmental Management Program
-  Adoption of Industry Standards
-  Alternative Compliance/Departures
-  Continuous Communications
-  Accident Investigations
-  Research Programs
-  Risk-based Inspections

# Accident Investigations

- 👉 Working with Industry Determine Root Causes
- 👉 Identify Trends
- 👉 Issue Safety Alerts
- 👉 Modify Regulations
- 👉 Studies

# Safety Award For Excellence

- **Large Operators**
- **Small Operators**
- **Contractors**
- **Collaboration with MMS on  
Enhancement of Safety/ Environmental  
Protection**



# Documentation

- **Inspection results are entered into a National Electronic Data Base**
- **Hard copies of all inspection data are maintained by the District Office**

## Industry-Wide Standards / Guidelines

- **Regulations Reference API, ASTM, ASME, & Other Standards**
- **Working With ISO**
- **Monitoring Activities of IMO**
- **International Regulatory Forum**

# Alternative Compliance / Variances

- **Must Meet or Exceed Regulatory Goals for Safety/Environmental Protection**
- **Applies to Process, Procedure, and Equipment**

# Continuous Communications

- **Encourage Open, Two-Way Communications**
- **Annual Performance Review**
  - **Discuss Problems and Share Best Practices**
  - **Feedback for MMS Regulatory Process**
  - **Suggest Remedies for Poor Performance**

# MMS & INDUSTRY OPERATIONAL WORKING RELATIONSHIP

## COMMON INTERESTS

- ✎ Development of Resources
- ✎ Safety & Environmental Protection
- ✎ Avoiding Controversy

# MMS & INDUSTRY OPERATIONAL WORKING RELATIONSHIP (CONTINUED) COLLABORATION AREAS

-  Development of API Recommended Practices
-  Development of ISO Standards
-  Development of Regulations
-  Research Projects / Seminars

# MMS & INDUSTRY OPERATIONAL WORKING RELATIONSHIP (CONTINUED)

## TOOLS UTILIZED

- ✎ Assisting/Guiding Companies in Development of Their SEMPS
- ✎ Participation in Company SEMP Audits
- ✎ Annual Performance Reviews
- ✎ Meeting with Operators
- ✎ Briefings at Platforms/Facilities
- ✎ 7/24 Access to Companies
- ✎ Industry Participation in Regional Operations Technical Assessment Committee Meetings
- ✎ Information Transfer Meetings

# MMS & INDUSTRY OPERATIONAL WORKING RELATIONSHIP (CONTINUED)

## TOOLS UTILIZED (continued)

### Special Seminars/Workshop

- ✎ Human Factors
- ✎ Best Practices
- ✎ Shallow Water Flows
- ✎ Use of Composites
- ✎ Platform Decommissioning
- ✎ Pipeline Safety
- ✎ Reliability of Operations
- ✎ Seismic Design and Reassessment of Structures
- ✎ In Site Burning of Oil Spills
- ✎ NOX Control Development Program



# Collaboration with other Agencies- Memorandums of Understanding

- ➡ DOT for Pipelines.
- ➡ USCG for their Offshore Rules.
- ➡ EPA for Ocean Discharges
- ➡ DOE for Research
- ➡ Others